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RUEHBU/AMEMBASSY BUENOS AIRES 3226
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RUEHME/AMEMBASSY MEXICO 3594
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
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TREASURY FOR MMALLOY
COMMERCE FOR 4331/MAC/WH/MCAMERON
USTR FOR BHARMAN AND MCARRILLO

E.O. 12958: N/A

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SUBJECT: PERU PURSUES VIGOROUS FTA IMPLEMENTATION STRATEGY

Summary

1. The Peruvian Congress approved a law by 54-38 that would delegate to the Executive branch the authority to legislate by decree on the diverse issues related to the implementation of the U.S.-Peru Trade Promotion Agreement (PTPA). This action is intended to speed implementation in order to meet the government's self imposed six month deadline. In recent public remarks, President Garcia warned the business community that Peru's population would not continue supporting free trade if its benefits were not apparent. End Summary.

New Law Delegates Authority to Executive Branch

2. On December 12, 2007, President Alan Garcia forwarded a letter to the President of the Congress, Luis Gonzales Posada, seeking Congressional consideration for legislation that delegates authority to the Executive branch for legislative items related to PTPA implementation. Debate in Congress centered on the wisdom and utility of delegating legislative authority to the Executive branch. Those opposed claimed Congress was (once again) abdicating its central responsibility for making laws; those in favor underscored the short timetable for PTPA implementation and the fact that lawmakers would soon be on recess and not reconvene until March 2008. After a three hour debate December 14, Congress voted by 54-38 to support the measure. The breakdown of those voting in favor: 5 Fujimoristas (all others were absent); 29 APRA; 13 Unidad Nacional; 3 from Grupo Especial; and 2 from Alianza Parlamentaria.

Legislation

3. The legislation, published December 20 in El Peruano, the official gazette, contains two key articles. Article One delegates to the Executive branch the authority to legislate on all matters pertaining to the implementation of the PTPA. Article Two establishes a time frame of 180 calendar days to legislate over a broader group of issues that are ancillary to the PTPA, but essential if the agreement is going to be effective. These are:

- Trade facilitation;
- Improvement of the regulatory framework, institutional strength, and administrative simplification/government modernization;
- Improvement in the administration of justice on trade issues and administrative disputes;

- Private investment promotion;
- Technical innovation promotion, quality improvement, and capacity building;
- Employment and SME promotion; and
- Institutional strengthening of environmental capacities.

¶4. The content of all of the legislative modifications are supposed to comply with the GOP's PTPA commitments and its related annex. The law is slated to enter into force on January 1, 2008.

¶5. Delegating legislative authority for PTPA implementation to the Executive branch should enable the government to execute the needed legislative norms quickly. The other projects, while not technically linked to the PTPA, are intended to help strengthen institutions, competitiveness, regulatory capabilities, and hopefully boost both investment and exports. Garcia also proposed that Congress consider approving an Environment Ministry, something that would be useful in implementing the PTPA's important environmental provisions, including on forestry.

Garcia Warns that People Need to See Trade Benefits

¶6. Echoing the remarks he made after the signing ceremony in Washington, in numerous events around Lima this past week, President Garcia emphasized that the PTPA was a great opportunity for Peru and congratulated all those involved in negotiating and securing its approval. These included, to the surprise of many, former President Toledo and key members of his cabinet who had worked on the agreement. While citing strong public support (67%) for the PTPA, Garcia cautioned that the public would need to see evidence that the PTPA could bring benefits to all social and economic classes, not just business groups. Garcia noted it would be the responsibility of both the public and private sector to educate the population on the benefits of the PTPA, and to ensure that these were as widespread as possible. In this sense, Garcia said, he wanted to inject a note of urgency and realism into the current mood of celebration.

MCKINLEY